Positive Money response to Renters (Reform) Bill: call for written evidence

Positive Money welcomes the opportunity to respond to this call for evidence.

Positive Money is a not-for-profit research and campaigning organisation, working towards reform of the money and banking system to support a fair, democratic and sustainable economy. We are funded by trusts, foundations and small donations.

Our submission draws on evidence from our 2022 report Banking on Property, and other research and policy work we have been involved with relevant to this consultation.

For more information please contact Ellie McLaughlin on 07554 209640 or email ellie.mclaughlin@positivemoney.org.uk.

Key points:

- We support efforts to reform the private rental sector in ways that increase affordability, security and conditions for tenants.
- Existing measures within the bill must be strengthened in order to deliver on the government's stated aim of creating a fairer private rented sector. This includes ensuring the abolition of assured shorthold tenancies and section 21 evictions without delay, closing loopholes that would allow unfair evictions to continue, and increasing security of tenure.
- Other measures to improve the rights of tenants should be introduced, including the government's stated commitment to make it illegal for landlords and agents to have blanket bans on renting to tenants in receipt of benefits or with children, and requiring landlords to ensure rental properties meet higher energy efficiency standards, in line with science-based net zero targets.
- More ambitious measures are needed to make the private rental sector affordable, including devolving powers to local authorities to introduce rent stabilisation policies and disincentivise the use of homes for short-term and holiday lets.
- To be optimal, these measures should form part of a long-term housing affordability strategy that aims to stabilise house and rental prices through coordinated taxation and monetary policy and an increase in the stock of social homes.

1.0 Strengthening existing measures in the bill to make renting more secure and affordable.

We strongly support measures to rebalance power in the rental market, which is currently skewed overwhelmingly towards landlords. Measures to increase the affordability of rent, and increase security and conditions for tenants are urgently needed. Policy changes from the 1980s onwards, including the sale of social housing, dismantling of rent controls and reduction of tenants rights, have increased the proportion of the population dependent on the private rental sector and increased the profitability of buy-to-let, adding significant inflationary pressure to the housing market. Those excluded from home ownership have not only missed out on property wealth gains, they have faced higher housing costs, poorer standards, and less housing security than their home-owning counterparts. As a higher proportion of Black, Asian and other ethnic minorities have been excluded from home ownership and trapped in the private rental sector, this community has suffered disproportionately from high rent prices, no-fault evictions, and poor conditions in the private rental sector[1].

The rent affordability crisis has been exacerbated by the Bank of England's recent interest rates rises. The Bank's November Monetary Policy Report notes that recent increases in the Bank Rate have increased mortgage payments for buy-to-let landlords, which has contributed to the fastest increase in rent prices in the second quarter of 2023 since 1994[2]. The Bank states that 'given information asymmetries, moving costs, and other frictions within the rental market, landlords may temporarily have market power to raise rents'. Recent research from Positive Money also finds that despite recently escalating rent prices, only a small proportion of Landlords' are likely to be impacted by rate rises, due to high proportions of landlords either owning property outright or not having a full repayment mortgage[3].

1.1 We strongly support the abolition of assured shorthold tenancies and section 21 'no fault' evictions, which should be introduced without delay. No-fault evictions are a leading cause of homelessness[4] and have risen rapidly in recent months[5]. The ability of landlords to evict tenants at no fault of their own has also contributed to increasingly unaffordable rental prices by increasing the power of landlords to raise rents, which **i**n September 2023 rents reached record high levels[6]. Rents are becoming increasingly unaffordable, with price increases outpacing that of incomes, particularly in London where the affordability crisis is most severe. In the year to 2022, average rents in London exceeded the ONS housing affordability test of a rent-to-income ratio of 30%, with London's median rent being equivalent to 35% of the median income[7]. Those on lower incomes tend to spend a higher proportion of their incomes on housing costs, and across England, Wales and Northern Ireland, rents in the lowest 25% of the price scale all exceeded the 30% affordability test for low-income households[8].

1.2 The abolition of assured shorthold tenancies and section 21 no fault evictions should not be delayed until court reform is achieved. As described above, the precarity faced by renters is urgent, and court reform would likely take several years to implement[9]. Contrary to landlord bodies' argument that the abolition of section 21 evictions in the absence of court reform may lead to landlords exiting the sector due to increasing costs, thus increasing demand for rental properties and raising prices[10], there appears little evidence that this will be the case. Data from the Ministry of Justice suggests that section 8 grounds-based evictions currently take place in less time than section 21 evictions[11]. Further, landlords currently generate extremely high income and property wealth, with little evidence this would be impacted significantly by the abolition of section 21. Recent research by Positive Money found that landlords are significantly

[1] For more detail, see Positive Money (2022). Banking on Property; and Positive Money (2023). The Impacts of the Housing Crisis on People of Different Ethnicities.
[2] Bank of England, 2 November 2023. Monetary Policy Report - November 2023.
[3] Positive Money (2023). Landlord finances briefing.
[4] Shelter, 10 May 2023. 50% rise in homelessness due to no-fault evictions in a year.
[5] The Guardian, 9 November 2023. No-fault evictions in England 'soaring out of control' say campaigners.
[6] Recent ONS data shows that average private rental prices paid by tenants in the UK rose by 5.7% in the 12 months to September 2023, the highest annual percentage change since this UK data series began in January 2016. The cost of new lets (rather than renewed tenancies) has risen higher, as of September 2023 having increased by 10.1% over the last 12 months according to Homelet and Rightmove, and 10.5% according to Zoopla.
[7] ONS, 23 October 2023. Private rental affordability, England, Wales and Northern Ireland: 2022.
[8] Ibid.
[9] Commons Library (2023). Renters (Reform) Bill 2022-23.
[10] Levelling Up, Housing and Communities Committee (2022). Reforming the private rented sector: Written Evidence Submitted by the National Residential Landlords Association.
[11] Generation Rent, 21 October 2023. The Renters (Reform) Bill - common questions.

wealthier than the general population in terms of income, savings and value of their own homes (not including additional rental properties)[12]. English landlords have approximately 14x more property wealth than landlords 30 years ago, and according to the English Private Landlord Survey, the majority of landlords either have no debt (38%), thus taking home all rental income, or do not have a full repayment mortgage (48%), meaning profitability in the sector is high and likely only minorly impacted by changes to debt servicing costs[13].

1.3 Loopholes in the bill that could allow unfair evictions to take place after the abolition of section 21 should be closed. We are concerned that aspects of the bill seeking to strengthen grounds for possession remain open to abuse by landlords, and would allow unfair evictions to continue at scale when the bill comes into effect.

1.4 The 'no reletting' and 'initial protection' periods should be extended. In the bills current form, after the first 6 months of a tenancy, a landlord could seek possession of their property claiming they, or a family member, wish to move into the property, but could put the property back on the rental market after just three months. This is open to exploitation by landlords seeking to evict tenants and increase rents. We support, at a minimum, lengthening the 3 month 'no reletting period', to a period of at least 12 months, as recommended by Shelter[14]. The proposed 6 month initial protection period for tenants should also be extended to provide tenants with further security. We support the Government's initial proposal, which was for a two-year protection period[15], or for a longer three year protection period, with compensation provided to tenants if, following the protection period, they are evicted on ground for no fault of their own, as recommended in Positive Money's Banking on Property report[16].

1.5 Abandon proposed changes to strengthen anti-social behaviour grounds and double the notice period for tenants to leave. The changes to anti-social behaviour grounds for eviction proposed in the bill are also open to exploitation and could be used to enact unfair evictions. These proposals currently would allow landlords to evict tenants for any behaviour "capable of causing" nuisance and annoyance, with no minimum notice period. In practice, this leaves very little protection for tenants to contest false allegations, and fails to take account of the circumstances of different individuals. We also agree with the concerns raised by Shelter that the bill must be amended to afford private renters the right to immediate support from local authorities as soon as a possession notice is served - a right that the bill currently proposes removing[17].

1.6 Retain the existing tenant notice period at a minimum. We do not see any need for the bill's proposed doubling of the notice period that tenants must give to leave a property unexpectedly from four weeks' to two months. According to data from Rightmove, letting agencies are receiving an average of 25 enquiries for every available home to rent as of October 2023[18], and there have been numerous reports of tenants needing to 'bid up' rent prices in order to secure somewhere to live[19]. Demand is likely to be higher for properties on the lower end of

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[12] Positive Money (2023). Landlord Finances Briefing.
[13] Ibid.
[14] Shelter (2023). Briefing: The Renters (Reform) Bill.
[15] Ministry of Housing, Communities & Local Government (2019). A New Deal for Renting. Resetting the balance of rights and responsibilities between landlords and tenants: A consultation.
[16] Positive Money (2022). Banking on Property.
[17] Shelter (2023). Briefing: The Renters (Reform) Bill.
[18] Rightmove, 9 October 2023. Letting agents are receiving 25 tenant enquiries for every rental home.
[19] See: The Guardian, 8 April 2023. Bidding wars: inside the super-charged fight for rental properties; Financial Times, 5 September 2023. Extreme renting: London's bidding war escalates as rising rates hit buy-to-let.

the price scale, given housing unaffordability (the ratio of rent to income) is more severe for those on the lower end of the income scale. Given that landlords are unlikely to have difficulty in finding replacement tenants, such a change simply reduces flexibility for tenants who are more economically vulnerable than landlords and could leave tenants who are already vulnerable responsible for paying unaffordable rent in the instance that their circumstances change.

1.7 Reduce the ability of landlords to impose unfair rent increases. Whilst we believe that rent control policies to limit the level and or rate of increase in rental prices are likely to be a more effective means of increasing affordability in the sector (as outlined in 4.2), at a minimum, the annual basis on which landlords are able to implement rent increases ought to be extended to reduce the frequency of rent increases, and the minimum two-month notice period for tenants lengthened.

2.0 Introduce the government's stated commitment to make it illegal for landlords and agents to have blanket bans on renting to tenants in receipt of benefits or with children. The government recently reiterated[20] the commitment made in the 2022 'A Fairer Private Rented Sector' white paper, to make it illegal for landlords and agents to have blanket bans on renting to tenants in receipt of benefits or with children. These measures are currently missing from the bill. We support amendments to introduce these measures, which should be robust and ensure that landlords cannot exploit loopholes such as requiring unaffordable levels of rent upfront or guarantors for renters in receipt of benefits.

3.0 Increasing the quality and energy efficiency of homes in the private rental sector

3.1 We support the extension of the Decent Homes Standard to the private rental sector, but further requirements must be introduced to increase energy efficiency in the private rental sector in line with science-based targets. Climate Change Committee (CCC) science-based recommendations are clear that the government must set specific dates by which energy efficiency improvements are made and clean heating units installed for all properties in order to meet the UK's net zero targets[21]. We are concerned about the recent scrapping of prior proposals to require landlords to meet Energy Performance Certificate (EPC) rating C from 2025 in private rented properties, and recommend amendments to the bill to reinstate these, in line with the CCC's requirements all rented homes must achieve at least EPC by 2028 in order to meet the UK's statutory Net Zero target[22]. The Citizens' Advice Bureau notes that landlords are 3 times more likely to have over £10,000 in savings than the national average and over 1 in 3 landlords having more than £50,000 in savings - considerably higher than the average £3,800 one-off cost to retrofit a home to EPC C[23]. Combined with claiming back these costs against income tax bills makes meeting these standards highly achievable for this group.

3.2 Fuel costs should be included in a new statutory definition of rent affordability that is income-linked. There is no statutory definition of affordable housing[24], but the broadly used assessment is that rent or purchase costs should not exceed 30% of household income. However, this masks the impacts on affordability of higher fuel costs in the private rental sector

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[20] Levelling Up, Housing and Communities Committee (2023). Reforming the Private Rented Sector: Government's response to the Committee's Fifth Report of Session 2022-23.
[21] Climate Change Committee (2020). The sixth carbon budget: buildings.
[22] Ibid.
[23] Holmes, C, 13 June 2023. 3 reasons why we need better energy efficiency standards in the private rented sector.
[24] House of Commons Library (2023). Research briefing: What is affordable housing?

versus other tenure types[25]. The government should adopt an official metric of affordability, which includes energy costs as part of housing costs, reflecting the higher costs of energy on poorer households[26]. This would ensure that retrofits are hard-wired into national efforts to reduce fuel poverty and the cost of living crisis, and incentivise landlords to retrofit homes to bring the combined cost of rent and energy down, mitigating the split incentive.

4.0 Further measures to disincentive the use of homes as an asset and stabilise rent and house prices.

4.1 Introduce measures to stabilise both house and rent prices by addressing the underlying policy drivers of unaffordable homes. Whilst reforms to the private rental sector in favour of tenants are urgently needed, escalating rental prices and increasing reliance on the private rental sector have been driven by a combination of policies that have encouraged the use of homes as investment vehicles (outlined in Table 1), which are currently not addressed in this bill nor in the government's broader policy proposals. The Department for Levelling Up must reform the outdated property tax system, work with the Bank of England to manage mortgage lending with the goal of stabilising house prices[27] (rather than simply encouraging First Time Buyers and Buy-To-Let. for example, by introducing credit allocation and targeted lending policies to divert private investors to more productive parts of the economy), and rebalance housing subsidies.[28] Supporting the growth of the social housing sector through policies to shift land to public and community ownership such as reforming the land registry to improve transparency around land ownership and value, coupled with concrete mechanisms for non-profit social housing providers and community groups to have Right of First Refusal and Compulsory Purchase Powers for land sales, would reduce reliance on the private rented sector and help to reduce prices.

Table 1: Fiscal and monetary policies that have driven house price rises

Area	How has this affected house prices?	Impact
Taxation	Excluding council taxes, which are passed onto tenants, UK homes are subject to lower tax rates than other investments.[29] This encourages wealthy individuals, overseas non-residents and private investors to store wealth in homes.	Capital Gains Tax on primary homes would raise £4-11 billion.[30] If foreign investment in homes had remained at 2000 levels, prices in 2014 would have been 19% lower.[31]
Mortgages & Lending	There is a feedback loop between mortgage lending, house prices and levels of household debt. Financial reforms have dramatically increased the amount of mortgage credit provided by lenders, including for the 62% of landlords who use loans to purchase homes.[32]	IMF research found that a 10% growth in mortgage credit as a percentage of GDP was associated with a 6% growth of real house prices.[33]
Housing subsidies	In 1975 over 80% of housing subsidies promoted the construction of social homes, by 2000 85% went	The value of housing subsidies (cash payments, social housing and rent

[25] ONS, 1 November 2023. Energy efficiency of housing in England and Wales: 2023.
[26] ONS, 31 May 2023. Family spending in the UK: April 2021 to March 2022.
[27] Positive Money (2022). Banking on Property.
[28] JRF, 18 January 2023. Housing affordability since 1979: Determinants and solutions
[29] Lloyd et al. (2017). Rethinking the Economics of Land and Housing.
[30] Resolution Foundation (2021). Home county: Options for taxing main residence capital gains.
[31] Filipa, S. (2017). The effect of foreign investors on local housing markets: evidence from the UK.
[32] Department for Levelling Up, Housing and Communities (2021). English Private Landlord Survey.
[33] IMF. (2011). 'Housing Finance and Financial Stability—Back to Basics?'. Global Financial Stability Report..

	to individual rent payments.[34] Combined with Right to Buy, this shift has reduced the amount of social housing in the UK, and pushed money into the rental market.	controls) has fallen from 16.5% of the cost of housing services in 1979 to 11.5% in 2019–20.[35]
Quantitative Easing	Expansionary policies, including monetary policy like QE, increase inflows of money into the property market and accelerates the affordability crisis.	2014 real house prices would have been 22% lower without monetary policy loosening (low interest rates and QE).[36]

4.2 Devolve powers to local authorities to introduce rent stabilisation policies. We strongly support amendments to facilitate the introduction of measures to stabilise rents, including through devolving powers to local authorities to introduce rent control policies to limit the level and or rate of increase in rental prices. Such measures were in place in the UK for most of the 20th century, and are common across Europe and North America[37]. In Austria, Denmark, France, the Netherlands and Sweden, there are rent controls that limit both the initial rent, and subsequent rate of rent increases. In more than ten further European countries there are rent caps that limit the rate of rent increases within tenancies, for example by linking rent to the rate of wage growth or consumer price inflation (CPI). Rent controls can be introduced gradually and designed so as to mitigate against the risk of triggering a shortage of rental properties[38]. As well as reducing the disparity in housing costs faced by different groups within society, rent controls could support more stable, mixed-income and diverse neighbourhoods.

4.3 Disincentivise investment in property for short-term and holiday lets. Despite housing and rental unaffordability often being framed as an issue of supply shortage, according to the most recent census data, there are more homes in the England and Wales than there are households, with 1.5 million unoccupied dwellings[39]. Measures to optimise the use of existing housing stock could help to address supply of private rental properties in locations where there is high demand in the private rental sector. There are various taxation options available, including reforming Council Tax to a proportional property tax, the foundations of which could be lain by devolving Council Tax powers to local authorities[40]; bringing Capital Gains Tax (CGT) paid on second homes, Buy-To-Let and investment properties line with income tax rates; increasing taxation on non-UK resident companies rental income and removing the transferable main residence allowance for Inheritance Tax.

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[34] Positive Money (2022). Banking on Property.
[35] JRF, 18 January 2023. Housing affordability since 1979: Determinants and solutions
[36] Bunn et al. (2014). Bank of England Staff Working Paper No. 720: The distributional impact of monetary policy easing between 2008 and 2014.
[37] Whitehead, C, 13 February 2019. Rent controls in London? What is being suggested is not new - indeed it looks pretty mainstream.
[38] NEF (2019). Getting rents under control: How to make London rents affordable.
[39] ONS (2023). Number of vacant and second homes, England and Wales: Census 2021.
[40] IPPR (2021). The impact of a proportional property tax in London.